

Message Text

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PAGE 01 BONN 08585 181700Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02
EPG-02 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /088 W
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R 181654Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8371
DEPARTMENT TREASURY
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS BONN 08585

DEPARTMENT PASS FRB

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: BUNDESBANK PROVIDES LIQUIDITY SUPPORT FOR
BANKS

1. AT TODAY'S MEETING THE CENTRAL BANK COUNCIL OF
THE BUNDESBANK DECIDED THE FOLLOWING MEASURES:

(A) EFFECTIVE JUNE 1, THE BANKS' MINIMUM RESERVES
RATIOS WILL BE REDUCED BY 5 PERCENT. THIS
WOULD RELEASE DM 2.3 BILLION FROM THE BANKS'
REQUIRED RESERVES.

(B) EFFECTIVE JUNE 1, THE BANKS' REDISCOUNT QUOTAS
WILL BE INCREASED BY DM 2.5 BILLION. (ON
MAY 7, 1977, TOTAL REDISCOUNT BORROWINGS
AMOUNTED TO DM 17.5 BILLION.)

(C) EFFECTIVE MAY 31, THE BUNDESBANK WILL
DISCONTINUE ITS OFFER TO BUY FROM BANKS BILLS
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ABOVE THEIR NORMAL REDISCOUNT QUOTAS.
(CURRENTLY THE BUNDESBANK PURCHASES UNDER THIS
FACILITY BILLS FROM BANKS AT AN INTEREST RATE
OF 4 PERCENT AND FOR A PERIOD OF 10 DAYS. ON
MAY 7, OUTSTANDING BORROWINGS OF BANKS UNDER
THIS FACILITY AMOUNTED TO DM 3.4 BILLION.)

2. IN COMMENTING ON ITS ACTION THE CENTRAL BANK COUNCIL
EMPHASIZED THAT IT IS NOT CHANGING ITS MONETARY POLICY,
BUT ONLY PROVIDING FOR SUFFICIENT BANK LIQUIDITY IN VIEW
OF A NORMAL SEASONAL TIGHTENING IN JUNE AND JULY.
STOESSEL

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Message Attributes

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